



Memorandum

To : Luciana Profaca, Ph.D.
Chief Deputy Director

From : Lori Bruno
Acting Chief
Audit Services

Date : September 26, 2008

Subject: **Audit of Transition Partnership Program Contract #23597 and Workability II Contract #24610 for Fiscal Year 2004/2005 with Elk Grove Unified School District**

File No. : IVB18.42-1080

Introduction

The Department of Rehabilitation (DOR) Audit Services Section has completed its audit of Fiscal Year 2004/2005 Transition Partnership Program (TPP) Contract #23597 and Workability II (WA II) Contract #24610 with the Elk Grove Unified School District (EGUSD).

TPP Contract #23597, effective July 1, 2004 through June 30, 2005, budgeted \$161,685 to be reimbursed by DOR and a \$62,422 cash match to be provided by EGUSD. EGUSD received contract payments from DOR totaling \$161,685 and remitted a cash match totaling \$62,422.

EGUSD was contracted to provide program auxiliary services, employment preparation services, job development, job placement, and follow-up services to DOR consumers in their junior or senior year of high school and in post-secondary settings. The TPP was to serve consumers from eight high schools in the south part of Sacramento County. The TPP contract service goals included:

- 100 consumers to receive program auxiliary services;

- 145 post secondary consumers to receive auxiliary follow-up services;
- 85 consumers to receive employment preparation services;
- 40 consumers to receive job development, placement, and follow-up services;
- 10 consumers to receive job-coaching services to enable improved job performance and retention.

The WA II Contract #24610, effective July 1, 2004 through June 30, 2005, budgeted \$93,057 to be reimbursed by DOR with a \$24,019 cash match to be provided by EGUSD. EGUSD received contract payments from DOR totaling \$91,744 and remitted a cash match totaling \$24,019.

EGUSD Adult and Community Education was contracted to provide vocational assessment, employment services, and job coaching services to prepare consumers to obtain and retain competitive employment. The focus was on serving the most significantly disabled DOR consumers primarily in the southern part of Sacramento County. In addition, the WA II contract specialized in working with consumers receiving services through the TPP Program. The WA II contract service goals included:

- 60 consumers to receive vocational assessment services;
- 60 consumers to receive employment services including employment preparation and job development, placement, and follow-up;
- 10 consumers to receive non-supported employment job coaching services.

Scope

Audit fieldwork was conducted during June 2006 and our exit conference was held on June 13, 2006. We conducted our audit in accordance with Government Auditing Standards as defined by the Government Accountability Office, except for Standard 3.52 requiring an external peer review. These standards require that we obtain reasonable assurance that the services provided and expenditures incurred are supported by appropriate records; and are in compliance with the Contract, 2004/05 Contract Manual, and applicable State and Federal laws and regulations including the applicable Office of Management and Budget (OMB) Circulars. The audit also included a limited review of the internal controls applicable to the Contracts. Our audit is subject to the inherent risk that all significant errors and irregularities, fraud, or non-compliance will not be identified.

Our audit included examining, on a sample basis, evidence supporting information included on the Service Invoice (invoices) submitted to DOR. Our audit also included a limited review of internal controls as they related directly to our audit of the invoices through the use of an internal control questionnaire and interviews with EGUSD staff. In addition, we performed a limited review of other

funding received by EGUSD to ensure that duplicate funding did not occur between funding sources; obtained an understanding of the services provided by EGUSD; and performed a limited review of the procedures in place to document and report the services provided to DOR consumers.

Findings and Recommendations

The services provided and expenditures incurred by EGUSD were supported by appropriate records; and were in compliance with the Contract, 2004/2005 Contract Manual, and applicable State and Federal laws and regulations including the OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments (effective June 2004), except for the issues identified below.

It is important to note that the findings were caused by EGUSD's lack of understanding and compliance with the Contract and Contract Manual requirements resulting in inadequate contract management practices. Specific details to the findings can be found in **Appendix I for TPP Contract #23597** and **Appendix II for WA II Contract #24610**.

TPP Contract #23597

1. EGUSD incorrectly calculated the percentage of staff time worked on the TPP contract by dividing TPP hours worked by total paid time, which included leave time, rather than dividing by total hours worked.

Recommendation

EGUSD accurately calculate the percentage of staff time worked on the TPP program. For additional information refer to the 2008/09 Contract Manual – Personnel Activity Reports (PAR) Time Allocation Calculations Guidance.

2. The distribution of TPP staff time spent performing the duties of two contract line items was not documented on the PARs.

Recommendation

EGUSD ensure staff performing the duties of more than one contract line item position track the time separately for each position in order to accurately account for and allocate time spent in the provision of contract services and the corresponding personnel costs billable to DOR.

3. EGUSD incorrectly invoiced DOR for mileage expenses reimbursed to the Employment Placement Specialist at rates in excess of those paid to State employees as designated by the California Department of Personnel Administration (DPA).

Recommendation

EGUSD adhere to the travel and per diem requirements stated in the Contract and Contract Manual. If EGUSD's mileage rates exceed State employee maximum rates, the rate excess must be deducted from the mileage costs billed to DOR.

4. Documentation retained in consumer case files maintained by EGUSD did not adequately support services provided.

Recommendation

EGUSD ensure consumer case files contain adequate documentation to support services provided, consumer progress, and collaboration between DOR and contract staff.

WA II Contract #24610

1. A WA II contract staff provided services under two separate line item positions, Program Coordinator and Job Coach, which resulted in the following issues:
 - a. A PAR was not prepared to account for the actual time spent performing the activities/duties under each line item.
 - b. EGUSD inappropriately billed personnel costs incurred for Job Coach services under the Program Coordinator line item.

Recommendation

EGUSD ensure contract staff complete PARs or certifications in compliance with OMB A-87. Further, EGUSD bill actual and allowable expenses to the appropriate contract line item.

2. The annualized percentage of time for the Vocational Technician position was not consistent with the contract budgeted percentage of time.

Recommendation

EGUSD monitor the percentage of time/number of hours devoted by contract staff for overall consistency with the contract terms. EGUSD ensure that a contract budget revision is requested and approved prior to revising the time base of an existing contract staff line item position.

3. EGUSD incorrectly invoiced DOR for mileage expenses reimbursed to the Program Coordinator at rates in excess of those paid to State employees as designated by the DPA.

Recommendation

EGUSD adhere to the travel and per diem requirements stated in the Contract and Contract Manual. If EGUSD's mileage rates exceed State employee maximum rates, the rate excess must be deducted from the mileage costs billed to DOR.

4. EGUSD did not have an adequate method to accurately allocate supply and instructional expenses to the appropriate contract line item.

Recommendation

EGUSD establish a process to ensure that items are allocated and billed to the proper line item in accordance with the approved Contract Budget Narrative.

5. EGUSD invoiced DOR for inappropriate items under the Instructional Supplies line item.

Recommendation

EGUSD ensure that invoices submitted to DOR only include allowable expenses identified in the approved Contract Budget Narrative.

6. Documentation retained in consumer case files maintained by EGUSD did not adequately support job coaching services provided.

Recommendation

EGUSD ensure consumer case files contain adequate documentation to support services provided, consumer progress, and collaboration between DOR and contract staff.

7. The report of consumers served submitted to DOR with the fourth quarter invoice contained inaccuracies regarding services provided.

Recommendation

EGUSD ensure that a comprehensive listing of consumers served and the services provided to each consumer during the billing period be submitted with the service invoice to the DOR contract administrator for contract monitoring.

Auditee Response

A preliminary draft audit report was submitted to EGUSD for their response. EGUSD indicated agreement with the audit findings and recommendations via telephone on September 5, 2008. As such, a written response to the draft report will not be submitted.

Corrective Action and Follow-up

1. EGUSD shall develop a corrective action plan which indicates the actions taken or to be taken to correct the findings identified in this report. The corrective plan must be submitted by October 31, 2008 to DOR Audit Services with a copy to the DOR Contract Administrator.
2. The DOR Contract Administrator shall perform a follow-up review on the findings to ensure the issues have been appropriately resolved. Once follow-up has been conducted; the Contract Administrator shall submit a report to DOR Audit Services by December 31, 2008. The follow-up report shall address each audit finding/recommendation separately, include an explanation of specific review procedures conducted by the Contract Administrator, identify any documents reviewed, and indicate whether each finding has been resolved.

The contents of this report have been discussed with Jeffrey Markov, Interim Director of Fiscal Services; Cathy Burt, Director of Fiscal Compliance; Kathy Hamilton, Director of Elk Grove Adult and Community Education; Shareen Rendon, TPP Program Coordinator; Kelly Davis, WA II Program Coordinator; and Alfonso Nguyen, DOR Contract Administrator. We appreciate their assistance with our audit.

The audit was conducted by Desiree Sample and Sarbjit Brar, DOR Auditors, under the supervision of Kerry Gantt, DOR Audit Supervisor.

ELK GROVE UNIFIED SCHOOL DISTRICT
Transition Partnership Program
Contract #23597

Details to TPP Findings

EGUSD prepared and submitted invoices in compliance with the TPP Contract, 2004/2005 Contract Manual, and applicable state and federal regulations except for the issues identified below.

Personnel Expenditures

1. EGUSD incorrectly calculated the percentage of staff time worked on the TPP contract by dividing TPP hours worked by total paid time, including leave time, rather than dividing by total hours worked. TPP staff correctly calculated the percentage on the Personnel Activity Reports (PARs), thus we determined the net percentage difference for the audit period was not significant. Therefore, no audit adjustment will be made.

Including leave time such as vacation, sick, or holidays in the calculation lowers the percentage of staff time billable to DOR. By excluding leave time, as was done on the PARs calculation, DOR pays the applicable leave benefits through the increased percentage of actual time spent in the TPP program.

Recommendation

EGUSD accurately calculate the percentage of staff time worked on the TPP program. For additional information refer to the 2008/09 Contract Manual – PAR Time Allocation Calculations Guidance.

2. The distribution of TPP staff time spent performing the duties of two contract line items was not documented on the PARs. While the Transition Assistant was out on medical leave, her duties were performed by existing TPP staff to ensure the continuity of consumer services. However, staff time spent in the provision of Transition Assistant duties was charged to the Service Coordinator line item rather than the Transition Assistant line item. As sufficient funds were available in the personnel budget category to cover the costs, a reclassification of the expenses would not result in a disallowance. Therefore, an audit adjustment will not be made.

OMB A-87 states that personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee and must account for the total activity for which each employee is compensated. Thus, if contract staff are performing multiple activities (e.g., two line item positions), each activity must be accounted for separately to accurately determine the time spent and the corresponding personnel costs for each line item position.

Recommendation

EGUSD ensure staff performing the duties of more than one contract line item position track the time separately for each position in order to accurately account for and allocate time spent in the provision of contract services and the corresponding personnel costs billable to DOR.

Operating Expenditures

3. EGUSD incorrectly invoiced DOR for mileage expenses reimbursed to the Employment Placement Specialist at rates in excess of those paid to State employees as designated by the California Department of Personnel Administration (DPA). Due to the immaterial amount, an audit adjustment will not be made.

Contract #23597, Service Budget Narrative and Exhibit D, stipulates that mileage is not to exceed the rates paid to State employees.

Recommendation

EGUSD adhere to the travel and per diem requirements stated in the Contract and Contract Manual. If EGUSD's mileage rates exceed State employee maximum rates, the rate excess must be deducted from the mileage costs billed to DOR. The State employee travel and per diem rates may change periodically; therefore, for travel information EGUSD should refer to the applicable Contract Manual.

Consumer Services

4. Documentation retained in the consumer case files did not adequately support services provided. Although the case files contained a variety of documents including school transcripts, attendance records, time logs and email communication, the file documentation did not always provide sufficient detail to support specific contract services provided to DOR consumers.

For example, a case note for one consumer contained general notations such as updated records and spoke with father. EGUSD provided an email that clarified the services provided and detailed the rationale for the provision of services. This support should have been maintained in the case file.

Contractors must maintain documentation that supports services provided to DOR consumers. This includes written case notes that specify the date and services provided to each DOR consumer. In addition, documentation that demonstrates the collaboration between DOR staff and contract staff must be maintained.

Recommendation

EGUSD ensure consumer case files contain adequate documentation to support services provided, consumer progress, and collaboration between DOR and contract staff.

ELK GROVE UNIFIED SCHOOL DISTRICT
Workability II
Contract #24610

Details to WA II Findings

EGUSD prepared and submitted invoices in compliance with the WA II Contract, 2004/2005 Contract Manual, and applicable state and federal regulations except for the issues identified below.

Personnel Expenditures

1. A WA II contract staff provided services under two separate line item positions, Program Coordinator and Job Coach, which resulted in the following issues:
 - a. A PAR was not prepared to account for the actual time spent performing the activities/duties under each contract line item. Rather, an annual time certification was prepared since she worked solely on the WA II contract.

OMB A-87 states that personnel activity reports or equivalent documentation must reflect an after-the-fact distribution of the actual activity of each employee and must account for the total activity for which each employee is compensated. Further, if a contract staff works solely on one activity, a certification must be prepared at least semi-annually.

- b. EGUSD inappropriately billed personnel costs incurred for Job Coach services under the Program Coordinator line item. EGUSD thought the billing was appropriate since the same staff person provided the services for both line items. The services provided were consistent with the contract scope of work; therefore, no audit adjustment will be made.

The contract allows for the contractor to exceed the budgeted line item amount as long as the change does not result in an increase of the approved budget category amount or impact the scope of work and must be necessary for the provision of services.

Recommendation

EGUSD ensure contract staff complete PARs or certifications in compliance with OMB A-87. Further, EGUSD bill actual and allowable expenses to the appropriate contract line item. EGUSD may exceed a current budgeted line item amount within a budgeted category without requesting a budget revision or budget amendment. The expenditure must be necessary for the provision of services, consistent with the scope of work, and the overall total cap dollars of the budget category must be maintained. EGUSD shall attach a written explanation to the invoice which includes the reason for the exceeding the current budgeted line item.

2. The annualized percentage of time for the Vocational Technician position was not consistent with the contract budgeted percentage of time. Specifically, the line item was budgeted for .40 FTE of a 40 hour work week but billed at .60 FTE. EGUSD exceeded the position time base stipulated in the budget narrative but never requested or received an approved budget revision. Since the provision of services was not materially impacted and funds were available in the line item budget, an audit adjustment will not be made.

Contract #24610, Exhibit B, states that the Contractor is responsible for monitoring the percentage of time/number of hours devoted by staff on the contract for overall consistency with the contract terms.

The Contract Manual states that a contract revision is required to make revisions in the time base of a contract staff line item position (hours/percentage of time), so long as the time base revisions change does not affect the overall contract objectives or outcomes (e.g., increase or decrease the number of clients).

Recommendation

EGUSD monitor the percentage of time/number of hours devoted by contract staff for overall consistency with the contract terms. EGUSD ensure that a contract budget revision is requested and approved prior to revising the time base of an existing contract staff line item position.

Operating Expenditures

3. EGUSD incorrectly invoiced DOR for mileage expenses reimbursed to the Program Coordinator at rates in excess of those paid to State employees as designated by the DPA. Due to the immaterial amount, an audit adjustment will not be made.

Contract #24610, Exhibit D, stipulates that mileage is not to exceed the rates paid to State employees.

Recommendation

EGUSD adhere to the travel and per diem requirements stated in the Contract and Contract Manual. If EGUSD's mileage rates exceed the State's employee maximum rates, the rate excess must be deducted from the mileage costs billed to DOR. The State employee travel and per diem rates may change periodically; therefore, for travel information EGUSD should refer to the applicable Contract Manual.

4. EGUSD did not have an adequate method to accurately allocate supply and instructional expenses to the appropriate contract line item. Through a review of the supporting invoices and discussion with contract staff, EGUSD identified that office supplies purchased at Office Depot were incorrectly billed under the instructional supplies line item. As sufficient funds were available in the operating expense budget category to cover the costs, a reclassification of the expenses would not result in a disallowance. Therefore, an audit adjustment will not be made.

Contract #24610 states that Office Supplies and Materials are consumable supplies and materials to be used during the contract period which may include postage, pens, pencils, paper, file folders, markers, notepads, and calendars.

Contract #24610 states that Instructional Supplies and Materials include assessment materials such as instructional and vocational materials, duplication and printing vocational specific and job specific tutorial handouts and paper goods.

Recommendation

EGUSD establish a process to ensure that items are allocated and billed to the proper line item in accordance with the approved Contract Budget Narrative.

5. EGUSD invoiced DOR for inappropriate items under the Instructional Supplies line item. The items included music CDs, coloring books, crayons, and skin care products. These items did not directly relate to the provision of contract services and were not included in the approved Contract Budget Narrative. The Program Coordinator explained that she had received approval from the Contract Administrator to purchase these items and they were utilized to benefit the consumers. Due to the immaterial dollar amount,

an audit adjustment will not be made. Further, EGUSD agreed that if items of this nature were to be purchased in the future, general fund dollars would be utilized.

The Service Budget Narrative for Contract #24610 states that Instructional Supplies and Materials includes assessment materials and items such as instructional and vocational materials, duplication and printing vocational specific/job specific tutorial handouts and paper goods. This line item does not include provisions for music CDs, coloring books, crayons, and skin care products that are not directly required for the provision of contract services.

Recommendation

EGUSD ensure that invoices submitted to DOR only include allowable expenses identified in the approved Contract Budget Narrative.

Consumer Services

6. Documentation retained in consumer case files maintained by EGUSD did not adequately support job coaching services provided. Although a contact log containing notes was maintained in the consumer files, it only indicated the date of service and a basic description such as "client's first week at FedEx". The case notes did not include sufficient details to support the specific job coaching services provided.

Contractors must maintain documentation that supports services provided to DOR consumers. This includes written case notes that specify the date and services provided to each DOR consumer. In addition, documentation that demonstrates the collaboration between DOR staff and contract staff must be maintained.

Recommendation

EGUSD ensure consumer case files contain adequate documentation to support services provided, consumer progress, and collaboration between DOR and contract staff.

7. The report of consumers served submitted to DOR with the fourth quarter invoice contained inaccuracies regarding services provided. For example, the report indicated that several consumers received placement services. However, when reviewing a sample of case files, one consumer's file supported assessment services but not placement services. In fact, there was no evidence of successful contact with the consumer since assessment services were provided.

As support for contract services, the Contract Manual requires that a comprehensive listing of consumers served for the period billed and the services provided to each consumer shall be submitted with the service invoice to the DOR contract administrator for contract monitoring. As such, the report shall accurately reflect services provided.

Recommendation

EGUSD ensure that a comprehensive listing of consumers served and the services provided to each consumer during the billing period be submitted with the service invoice to the DOR contract administrator for contract monitoring.